

Pension Income Maximization

presented by



DIETZ

FINANCIAL SERVICES

Dear Future Retiree,

I'm so glad that you requested this Pension Income Maximization booklet!

I'm confident that you'll find this resource both very educational and eye-opening. I do have to warn you that you will find the information and premise to be very different from what is the commonly accepted pension strategy for a married couple.

With Pension Income Maximization, you will be prepared for however your retirement plays out and whatever comes your way, while also amply providing for the future financial security of your spouse. You will see that:

- ✓ **You can receive tens, and perhaps hundreds, of thousands of dollars more in retirement by implementing the Pension Income Maximization strategy.**
- ✓ **No matter how life plays out for you and your spouse, Pension Income Maximization is superior to the conventional choice of a Joint & Survivor pension that pays greatly reduced monthly benefits in exchange for covering payments to you and your spouse as long as at least one of you is alive.**
- ✓ **Pension Income Maximization is easy to implement and is more flexible and cost effective than selecting a Joint & Survivor pension option.**
- ✓ **Pension Income Maximization creates a better and larger opportunity to leave a legacy to loved ones or a charity should that be a priority to you.**

I'm on a professional mission to help as many individuals as possible achieve the most retirement income possible with the assets and resources available to them, including maximizing their pension. As a Retirement Income Certified Professional (RICP), this is my primary area of expertise. I would be most interested in helping you achieve the greatest amount of retirement income possible and have the most rewarding experience during your well-earned retirement.

Upon reading this booklet, I would like to set up a time to speak with you about creating your own personalized, free, and no obligation Pension Income Maximization plan. You can reach me by phone/text at 804-608-9775, email at jeff@safesecureretirement.pro, or scheduling directly on my calendar at calendly.com/jeffdietz.

Yours in successful retirement,



Jeffrey M. Dietz, Retirement Income Certified Professional

The Pension Maximization Strategy

My Story: The Common Mistake I Would Have Made and What Human Resources Did Not Tell Me

Many years ago, I joined the Federal Reserve Bank in Richmond, VA. I had never worked in the public sector before, and certainly not for such an important organization as the Fed. The Richmond Fed is a magnificent building sitting right beside the James River – the sunset views are magnificent. It was a great career move for my family – what organization could possibly be more stable than the Federal Reserve? They control the money supply in the country!

The first day on the job was something that will sound awfully familiar to a lot of you. I was introduced to dozens of people, none of whose names I remembered. I was taken out to lunch and, as the new guy, I was the guest of honor. After lunch was orientation with Human Resources. There we covered policies, procedures, and how to get onto the website to make benefit selections. There was a chunk of time set aside to go through all of those and they were fairly standard: health insurance, dental and vision insurance, short- and long-term disability insurance, a generous 401k match, and a ... a pension! Now I knew going in that they had a pension, but this was still exciting. At least to a finance nerd like me. Imagine, a pot of money being set aside for little ole me that would provide a guaranteed income stream for life ... and the life of my wife, too! Sure, we were going to save for our future selves but that carries risk while this was guaranteed – every month would be a nice dependable direct deposit into our checking account.

Periodically I'd go onto the benefits website and run projections on retirement savings and I'd usually take a look at the pension. There were various options, what they called "Single Life" and "Joint and Survivor". I never really looked at the Single Life pension all that closely because I wanted to make sure that I protected my wife after I passed away. I say "after I passed away" because, barring some fluke accident, I would leave this world before her (she was healthier and 5 years younger than me). I noticed a couple of things: 1) the Single Life option paid a lot more than any of the Joint and Survivor options, and 2) the greater percentage of my pension amount that I wanted her to have going forward lowered the pension amount substantially! But it was worth it to me to take the lower payouts so that money would keep flowing to the checking account like clockwork should I pre-decease my wife. Month in, month out, no questions, no doubts. What I didn't realize, and neither did any of my colleagues, was that by going this route my wife and I would be leaving tens of thousands, and perhaps hundreds of thousands, of dollars on the table – we'd really be short-changing ourselves in retirement. And it was needless and entirely avoidable!

Almost every married person goes the Joint and Survivor route for a few reasons. First, they love their spouse and want to provide for their future. Second, everybody else does it this way so it must be right. Lastly, for a married person to take the Single Life option, the spouse has to sign a statement saying that it's alright ... and who would do that to themselves? Sure, the payout would be higher

while the pensioner is alive, but what happens if they pass away way too soon? Everything grinds to a halt. No more deposits into the checking account! Who would surrender their right to their spouse's pension payments in the future? Not many people.

Unfortunately, no one explained to me or anyone else at the Fed the concept of Pension Income Maximization. I am quite confident that no one in Human Resources understood or knew about this concept. Fortunately, though, you're reading this brief booklet and I will explain the concept to you and show you why Pension Income Maximization beats a Joint & Survivor pension no matter what happens.

The Mechanics of a Joint & Survivor Pension

As mentioned earlier, the highest payout available is the Single Life pension. This is because a pot of money is set aside for the pensioner that must fund the pension payments for their entire life. Across the pension fund there is a life expectancy and payouts are based on that life expectancy. Some people will live longer than others, some people will not live as long, and across the pension fund it all balances out.

For a married couple, however, the life expectancy for the couple is always higher than for that of just the pensioner themselves. As a result, that pot of money that is set aside for the pension must be stretched over a longer time period and therefore the monthly payments will be reduced. When going the Joint & Survivor pension route, the couple is foregoing a portion of the higher payments available in the Single Life option in exchange for payments that should last longer. By giving up a portion of the Single Life pension amount, the pensioner is effectively purchasing life insurance: life insurance is used to provide for a beneficiary (in this case the spouse) upon the insured's death. The problem with this strategy is that there is no approval process that considers the health of the pensioner and the pension has to make this available to everyone, no matter what their health looks like. Therefore, the cost of this extended payment scenario in the Joint & Survivor option must be priced with the worst rates possible! Who would want the worst rates possible? Nobody, yet this is what almost every couple does because they have not heard of Pension Income Maximization. Not only that, the life insurance that is effectively purchased when choosing the Joint & Survivor option is the least flexible route to achieve one's goals.

Generally speaking, your projected monthly pension benefits will increase over time for two reasons: 1) most benefit calculations incorporate length of service into their formula, so the longer you're with your employer the greater your monthly benefit check will be, and 2) in general your salary will go up over time and virtually every pension benefit calculation takes into account the pensioner's salary in one way or another, such as the average salary over the last 5 years of employment. So, as a general rule, the longer you are with your employer, the greater your benefit check will be in retirement. To truly maximize the economic value of all of those years of hard work however, you will need to

implement the Pension Income Maximization Strategy or otherwise you will be needlessly surrendering a very significant portion of your maximum possible pension benefit.



Pension Income Maximization allows the couple to receive the maximum payments from their pension – the Single Life option – and yet protect the spouse against the death of the pensioner when the pension payments would stop in the Single Life option. There are 4 scenarios that a couple could experience, and we’ll see why Pension Income Maximization is a superior choice for each of them compared to the Joint & Survivor pension.

The Retirement Crystal Ball

There are two things that we know with absolute certainty: 1) your pension election is a one-time, irreversible decision and so it is very important to give it considerable thought, and 2) we don’t know precisely what the future will hold and all you can do is best position yourself for whatever comes to be. Regardless of how life plays out, the goal remains the same: maximize the amount of money received from the pension while also protecting the pensioner’s spouse from the death of the pensioner and no more payments. In order to receive the highest payouts from the pension, the Single Life option must be chosen. The spouse is left unprotected if that is the only thing that is done. With Pension Income Maximization though, a high cash value life insurance policy is purchased on the pensioner with the spouse as the beneficiary. In this situation, if something happens to the pensioner and the pension payments stop, the life insurance steps up and provides for the future of the spouse.



The crystal ball of exactly how your retirement will play out is definitely cloudy. By using the Pension Income Maximization Strategy outlined in this booklet, no matter what happens, you and your spouse will be optimally positioned to receive the most pension income in retirement as possible.

Unfortunately, there is no true crystal ball as to how your retirement will play out, but we do know that it will follow one of four scenarios. In all four scenarios, the Single Life option will be chosen so as to receive the maximum payments. To protect the spouse against the risk of the pensioner dying and the pension payments stopping, a high cash value life insurance policy will be funded on the pensioner. Remember that taking a Joint & Survivor option is effectively buying life insurance on the pensioner to protect the spouse, but it's the most expensive and least flexible route to take; funding a standalone life insurance policy is less expensive, much more flexible, and has numerous other benefits such as tax-free distributions and protection against chronic, critical, and terminal illnesses. Let's take a look at the four scenarios that are summarized in the graphic below, keeping in mind that the pension payment decision is a one-time decision that cannot be modified as life's circumstances change.

Retirement Scenarios Crystal Ball: A Joint & Survivor Pension vs. Pension Income Maximization

	Pensioner	Spouse	Outcome with Joint & Survivor Pension	Outcome with Pension Income Maximization
1			Decades of reduced income	Maximum retirement income
2			Live on reduced income	Recover cost through cash value
3			Reduced spousal income	Equal/greater spousal income
4			Pension payments stop	Death benefit to beneficiary

Where ...



= **Alive**



= **Deceased**

Scenario 1: Both the Pensioner and Spouse Live Long and Prosperous Lives

As noted previously, almost everyone chooses a Joint & Survivor pension payment option to provide for the spouse in the event that something happens to the pensioner which would bring the pension payments to a halt. In Scenario 1, both the pensioner and the spouse live long and happy lives, but every single month they are receiving substantially reduced payments from the pension if they choose the Joint & Survivor option. With Pension Income Maximization, the pensioner chooses the Single Life option, the couple receives the higher payments for all of those months and years, earns tens or even hundreds of thousands of dollars more over their lifetimes, and have a high cash value life insurance policy waiting in the wings that acts as a safety net should the pensioner die “too early” (Scenarios 3 and 4). The cash value of the life insurance policy can be used for tax-free distributions and provide additional benefits as previously noted.

Scenario 2: The Spouse Pre-Deceases the Pensioner

In this scenario, the Joint and Survivor pension was chosen to provide for the spouse should the pensioner die and therefore lower payments are received for as long as one of them is alive. However, in this scenario, the spouse pre-deceases the pensioner so not only were lower payments received while both the pensioner and the spouse were alive, but now the pensioner is stuck with lower payments for the rest of his or her life and there's nothing they can do about it. (Note: some pensions allow for a "pop up" provision for this scenario whereby the pensioner can then receive the single life payment for the rest of their life, but this is rare.)

With Pension Income Maximization, the Single Life option would be chosen and therefore the couple would receive the maximum payments while they're both alive and the pensioner would keep on receiving the higher Single Life payments for as long as he or she is still alive. Not only that, the pensioner would also have a high cash value life insurance policy which can provide tax-free distributions in retirement and a host of other benefits, such as coverage for chronic, critical, or terminal illnesses. Not only that though, the cost of the insurance policy can be recovered through the growing cash value inside the policy!

Scenario 3: The Pensioner Pre-Deceases the Spouse

Without knowing about Pension Income Maximization, let's suppose the couple chose the lower Joint & Survivor payments, as almost every married couple does: therefore while they are both alive they would receive the lower Joint & Survivor benefits and, upon death of the pensioner, the spouse would continue to receive those lower payments. This is the scenario that people have in mind when they choose the Joint & Survivor option whereby they think that they are protecting their spouse. And they are protecting the spouse, but they are doing so in the most expensive, least flexible, and least efficient manner possible – that's hardly ideal!

Fortunately though they read this booklet and rather than buying the implicit, expensive, inflexible, and least efficient life insurance possible by taking the reduced payments of a Joint & Survivor pension, a high cash value life insurance policy is purchased in order to achieve Pension Income Maximization. This allows the couple to receive the higher payments while the pensioner is alive and if the pensioner pre-deceases the spouse (as is the case in this scenario) then the life insurance policy that was purchased will provide for the needs of the spouse, in an amount that is equal or greater than what the pension would have provided for the spouse. Since this life insurance policy will go through the approval process that considers the health of the pensioner, it will be far less costly than taking the reduced Joint & Survivor payments over the lifespan of the couple.

Scenario 4: Both the Pensioner and the Spouse Die Relatively Young

In this scenario, both the pensioner and the spouse die prematurely. Had they chosen the Joint & Survivor pension option, they would have received the lower payouts during their lifetimes and, upon both of them dying, the pension payments would stop. With Pension Income Maximization, they would have received the significantly higher Single Life pension payments while the pensioner was alive and then the life insurance policy would be paid out to the beneficiary. The primary beneficiary would be the spouse, to safeguard against Scenario #3, and the contingent beneficiary would most likely be the couple's children, grandchildren, charity, university, other entity, or some combination of these beneficiaries – whatever is a legacy priority to them. By choosing Pension Income Maximization, this enables the couple to not only receive higher pension payments but also experience of the joy of leaving a legacy behind to who or what is important to them.

Next Steps

By this point, I hope that you see the value in Pension Income Maximization as opposed to the normal, default position that most married couples would go with: the Joint & Survivor pension. In all four scenarios, the Pension Income Maximization Strategy wins hands down. So, what is necessary to set up your own Pension Income Maximization plan?

The first step would be to set up a meeting with me to discuss your unique situation and review your pension. To set up a meeting, you can call/text me at 804-608-9775, email me at jeff@safesecureretirement.pro or schedule directly on my calendar at calendly.com/jeffdietz.

After learning about where you are in your retirement savings and about your particular pension and its anticipated payments, I will then calculate the amount of permanent life insurance necessary to make this strategy work. From there, an application for life insurance will be submitted and will go through the approval process. Once approved, you are all set for a lifetime of maximum pension payments!

One last point: Time is the greatest asset that any of us have, not only in our personal lives but also in our financial lives. The earlier you get started down this path, the better off you will be. While it is easy to procrastinate on these matters, your future self will thank the current you for taking the initiative and getting started today!

Again, to get yourself to the best place financially in retirement, contact me at 804-608-9775 (call/text) or by email at jeff@safesecureretirement.pro. You can also schedule directly on my calendar at calendly.com/jeffdietz.

You now know ...



Retirement
Income
101

... which leads to ...



Pension Details Information Sheet

Name: _____ Spouse's Name: _____

DOB: _____ Spouse's DOB: _____

Employer: _____

Pension Plan Name & Contact Phone Number: _____

Hire Date: _____

Anticipated Retirement Date/Age: _____

Current Salary: _____

Average Annual Salary Increase (%): _____

Monthly Pension Benefit Calculation Formula (if known): _____

Current Life Insurance In-force:

Term or Permanent (circle one) Face Amount: _____

Term or Permanent (circle one) Face Amount: _____

Term or Permanent (circle one) Face Amount: _____

Do you have long-term care insurance? _____

Do you have a monthly budget? Need help creating a budget? What is household income vs. expenses? _____

ABOUT THE AUTHOR

Jeff's primary focus is in creating a secure, stress-free, and tax-free retirement for his clients. He's on a professional mission to help as many individuals as possible remove the needless risks of Wall Street we've all been told that we must endure to have a successful retirement and to keep the sticky and greedy fingers of the IRS off of his clients' hard-earned money, both while they're working and - even more importantly - during their retirement years.

As a Retirement Income Certified Professional, Jeff works with his clients to not only build their retirement nest egg, but to also create an optimal strategy to manage the often-mismanaged distribution phase. The goal is to maximize spendable income, through tax minimization, so that one's assets provide for their desired lifestyle for their entire life without the fear of running out of money. Conventional financial advice is geared almost exclusively towards the accumulation of assets, which is of course very important, but there's very little emphasis on how to manage those resources in retirement such that taxes are minimized, people can sleep well at night without worrying about each and every stock market gyrations, and live a fulfilling retirement without running out of money. Jeff helps his clients both accumulate their wealth and then use it optimally when they need it.

Jeff is the host of Safe Money Radio on WJFN in Richmond, Virginia, and surrounding areas, and WFED in Washington, D.C. Jeff holds a Bachelor's degree from Virginia Tech in Chemical Engineering and a Master's degree from The University of Virginia in Systems Engineering. He is the proud father to two outstanding sons and is a very active member of Woodlake United Methodist Church.



Tune In
To my Radio Show!
WFED - Saturday 10-10:30 am
WJFN - Sunday 10-11 am
804-608-9775
Jeff Dietz, RICP



Jeff will gladly give you a copy of his other booklets, the "Retirement Plan Strategy Checklist" and "The Child Asset Builder", as well as present you with a copy of the "Safe Money" book.



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